

EXECUTIVE SECRETARIAT

Routing Slip

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15	D/OEA				
16	C/PAD/OEA		✓		
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19	C/IPD/OIS				
20	NID/ECOM		✓		
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Remarks:

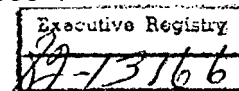
Executive Secretary

11/22/87

Date

3637 (10-81)

NSC review completed.



OFFICE OF THE SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220
November 22, 1982

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(With Confidential Attachment)

MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE DIRECTOR, OFFICE OF MANAGEMENT
AND BUDGET
CHAIRMAN, COUNCIL OF ECONOMIC ADVISORS
ASSISTANT TO THE PRESIDENT FOR
NATIONAL SECURITY AFFAIRS
ASSISTANT TO THE PRESIDENT FOR
POLICY DEVELOPMENT
UNITED STATES TRADE REPRESENTATIVE
✓ DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT Senior Interdepartmental Group on International
Economic Policy (SIG-IEP)

Attached please find the minutes from the SIG-IEP meeting
held November 16.

David E. Pickford
Executive Secretary

Attachment

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SENIOR INTERDEPARTMENTAL GROUP --- INTERNATIONAL ECONOMIC POLICY

November 16, 1982

1:30 P.M.

Roosevelt Room

Attendess:

Treasury

Secretary Regan (Chairman)
Marc Leland

Office of the Vice President

Philip Hughes

State

Allen Wallis

Agriculture

Richard Lyng

Commerce

Secretary Baldrige
Lawrence Brady

CEA

USTR

Ambassador Brock
Dennis Whitfield

Defense

Fred Ikle

OPD

Ed Harper
Roger Porter

CEA

Martin Feldstein

NSC

Henry Nau
William Martin

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The Chairman asked Ambassador Brock to give a status report on the GATT Ministerial. The upcoming GATT Ministerial has taken on increasing significance as a result of current trade frictions. Yet it is these same pressures which are resulting in a slow and difficult process in reaching resolution of the three components of the Ministerial documents. These documents include the political statement, decisions to improve the current operation of the trading system, and the establishment of a future work program. In the present environment, an unsuccessful Ministerial could open the door to increased protectionism, bilateralism, and a general deterioration of the multilateral trading system.

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The United States has met with mixed success in seeking agreement on the breadth and strength of the political statement. The Japanese and the Swiss have been supportive, but the European Community has insisted on characterizing the Ministerial as primarily a stock-taking exercise. LDCs are unwilling to discuss any liberalization in the face of the current economic conditions.

On major issues aimed to improve the current operation of the trading system such as safeguards, dispute settlement and agriculture, we seem to be deadlocked. The EC has found it difficult to support any rollback of agricultural subsidies because these subsidies form the backbone of the Common Agricultural Policy price support program. The primary problems in the area of dispute settlement are the mechanics of the panel and the lack of political will among parties to disputes to accept panel reports and recommendations. The primary problem in the negotiation of a Safeguards Code is the issue of selectivity.

As to areas of future work, the U.S. proposal of North-South negotiations has not received the degree of support hoped for, although we are continuing our efforts to persuade other countries. The Europeans and the United States believe that the increasing significance of world trade in services makes it imperative that GATT rules be developed, although LDCs are not supportive of this concern. The United States is also working towards an agreement that the future work program address trade in high technology products.

In concluding his presentation, Ambassador Brock thanked the Departments of State and Treasury for their help in trying to get movement in these various areas, but he had to admit that progress has been painfully slow.

The discussion which followed focused on the problems associated with a failure of the GATT Ministerial. Undoubtedly, Congressional response would be highly critical and pressure for protectionism would mount in light of an increasing trade deficit. On the other hand, it was recognized that if the United States were to succumb to these pressures, it would have a very serious negative effect on world trade.

The Chairman concluded the discussion by encouraging our representatives in Geneva to work for modest successes and to seek further study of key issues. Secretary Baldrige added that other countries, including Japan, should be warned of the dire consequences to the world economy if these negotiations are perceived to fail. Deputy Secretary Lyng said that we

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must be cautious in seeking more studies in the agricultural sector. The group thanked Ambassador Brock for his effort and encouraged him to keep pushing for a modest success, keeping the possibility open for further activities following the Ministerial.

Under Secretary Wallis then gave a review of the status of the non-paper and an explanation of the French response to the President's lifting the sanctions announcement. Secretary Regan announced that the President had just signed an NSDD on East-West Economic Relations and copies would be distributed to Departments shortly.

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